



**Interlocal Agreement
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION**

AGENDA ITEM NO.: 9
AGENDA DATE: Thu 10/21/2004
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SUBJECT: Approve an amendment to Retail Concession Lease Agreement for Food and Beverage Concessions at Austin-Bergstrom International Airport with Brazos Concessions Company/Salt Lick Joint Venture to extend the term for an additional five years, increase the percentage rent paid to the City, and require the concessionaire to renovate and make improvements to the existing concession facilities.

AMOUNT & SOURCE OF FUNDING: N/A

FISCAL NOTE: There is no unanticipated fiscal impact. A fiscal note is not required.

REQUESTING DEPARTMENT: Aviation

DIRECTOR'S AUTHORIZATION: Jim Smith

FOR MORE INFORMATION CONTACT: Charles Gates, Director of Finance & Administration 530-7526

PRIOR COUNCIL ACTION: Original Concession Agreement approved by Council on November 19, 1997

BOARD AND COMMISSION ACTION: Recommended by the Austin Airport Advisory Commission.

PURCHASING: N/A

MBE / WBE: 25.5% DBE

Brazos Concessions Company/Salt Lick Joint Venture (sucessessor to CA One Services Inc./Scott Roberts Joint Venture) was granted a food and beverage concession by agreement dated December 31, 1998, and has operated at the Airport since its opening in May 1999. The Concessionaire operates the following food and beverage venues at the Airport: Schlotzsky's Deli, Matt's El Rancho, Salt Lick Barbeque, Amy's Ice Cream, Lefty's Sixth Street Grill, the Hill Country Bar, Highland Lakes Coffee House and www.news.

The original agreement was for a primary term of seven years with the option to extend for up to three additional terms of one year each. An earlier amendment modified the term to a single period of ten years expiring May 2009. Under the proposed amendment, the term of the Agreement will be extended for five years through May 31, 2014.

In consideration of the contract extension, the concessionaire will increase the percentage rent payable under the Agreement, renovate current food and beverage venues in the West Food Court and West Concourse and add a new food and beverage venue at gate 12. The concessionaire will spend \$1.5 million to renovate its food and beverage venues in the Airport terminal during the extended term. In addition, the concessionaire agrees to open a new food and beverage concession at gate 12.

Under the Concession Agreement, the Concessionaire pays the Airport the greater of a minimum annual guaranteed concession fee (MAGCF) or a specified percentage of the gross revenues generated by each



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food and beverage venue. The MAGCF adjusts annually to equal 90% of previous year's payment to the City. The percentage of gross revenue concession fees under the current agreement and under the proposed amendment are as follows:

	<u>Current</u>	<u>Proposed</u>
Food and Beverages	12.0%	15.0%
Alcohol	15.0	17.5
News/Books	11.0	15.0
Sundries	16.0	19.5

The new proposed rates are similar to rates received at other airports under new agreements extend into the last two years. Based on current revenues and projected revenue for the new venue this amendment will provide approximately \$200,000+ in additional revenue in the first year under the revised agreement to the Aviation Operating Fund. The Airport's "Street Pricing Policy", which prohibits concessionaires from charging more at the airport than is charged at other non-airport outlets in Austin, remains in effect.